

## Message Text

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12

ACTION EB-11

INFO OCT-01 EUR-25 NEA-10 ADP-00 SCEM-02 AID-20 CIAE-00

COME-00 FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07

OPIC-12 CIEP-02 LAB-06 SIL-01 OMB-01 PA-03 PRS-01

USIA-12 INT-08 RSR-01 /136 W  
----- 115726

R 051010 Z MAY 73

FM AMEMBASSY BRUSSELS  
TO SECSTATE WASHDC 7425  
INFO AMEMBASSY TEHRAN

LIMITED OFFICIAL USE BRUSSELS 2467

E. O. 11652: N/A

TAGS: ENRG, BE

SUBJECT: LANNAYE REFINERY CONTROVERSY - L'AFFAIRE IBRAMCO

REF: BRUSSELS 2265

1. SUMMARY: LANNAYE REFINERY CONTROVERSY BLEW UP OVER WEEK- END APRIL 27 INTO PUBLIC DISPUTE WHICH LASTED UNTIL LATE EVENING WEDNESDAY MAY 2. CONTROVERSY CULMINATED IN LATE EVENING MAY 2 CHAMBER DEPUTIES SESSION. WHEN VOTE OF CONFIDENCE WAS TABLED ON GOVERNMENT'S POSITION FOR TUESDAY, MAY 8. ALTHOUGH CONTROVERSY THREATENED COHESIVENESS OF GOVERNMENT, COALITION AGREEMENT ON ISSUE ACTUALLY REACHED ON APRIL 27 FORMS BASIS OF PROPOSED VOTE OF CONFIDENCE WHICH IS EXPECTED TO PASS. END SUMMARY.

2. AS REPORTED REFTEL, GOVERNMENT COALITION FELL INTO DISARRAY OVER PROPOSED LANNAYE PETROLEUM REFINERY. ISSUE AROSE FOLLOWING PUBLIC ANNOUNCEMENT ON MARCH 12 THAT JOINT BELGIAN- IRANIAN CORPORATION ( IBRAMCO S. A.) HAD BEEN ESTABLISHED TO PURSUE ECONOMIC FEASIBILITY STUDY OF PETROLEUM REFINERY IN LIEGE AREA. SOCIALISTS' COALITION PARTNERS - SOCIAL CHRISTIANS AND LIBERALS - OBJECTION TO IBRAMCO WERE:

A. IBRAMCO S. A. ORGANIZED AND CREATED WITHOUT COALITION PARTIES  
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BEING KEPT INFORMED.

B. IBRAMCO CHARTER WENT BEYOND PREVIOUS GOVERNMENT AGREEMENT ON PROPOSED REFINERY INsofar AS IT AUTHORIZED IBRAMCO TO PROCEED WITH REFINERY IF ECONOMIC STUDY FAVORABLE.

C. ALL GOB PERSONALITIES APPOINTED TO IBRAMCO BOARD OF DIRECTORS WERE SOCIALISTS.

3. ALTHOUGH PARLIAMENTARY AND NEWSPAPER DEBATE REACHED PEAK ON MAY 2 AND CONTINUES TO DATE, OBJECTIONS REFERRED TO ABOVE ACTUALLY RESOLVED ON APRIL 27 AT MEETING OF COALITION LEADERS. AGREEMENT CALLS FOR VOTE OF CONFIDENCE IN PARLIAMENT ( SCHEDULED FOR MAY 8) WHICH WILL REITERATE SUPPORT FOR GOVERNMENT INTEREST IN BELGO- IRANIAN PROJECT, LIMIT IBRAMCO' S AUTHORITY TO CONDUCTING FEASIBILITY STUDY, INSTRUCT IBRAMCO TO REFER RESULTS OF SUTDY TO CABINET FOR APPROVAL, OBLIGATE CABINET TO REFER FINAL DECISION TO PARLIAMENT FOR APPROVAL, AND AGREE TO REVIEW COMPOSITION OF GOB REPRESENTATION IN IBRAMCO. VOTE OF CONFIDENCE IS EXPECTED TO PASS.

4. IN ADDITION TO INTRE- GOVERNMENT SQUABBLING, OTHER PARTIES ( VOLKSUNIE AND FDF- RW) PROFITED FROM OPPORTUNITY TO WEIGH IN WITH PUNGENT COMMENTS AND WIDE RANGING CRITICISM, PRIMARILY OF MANNER IN WHICH GOVERNMENT HANDLED PROJECT. OBVIOUSLY SCENTING OPPORTUNITY TO BRING DOWN GOVERNMENT, OPPOSITION PARTIES TRIED HARD BUT WERE FRUSTRATED BY GOVT PARTIES CLOSING RANKS ON APR 27.

5. CONTROVERSY ORIGINATED WITH CABINET DECISION ON DEC 6, 1972, TO PRODEED WITH FEASIBILITY STUDY OF PETROLEUM REFINERY AT LANNAYE IN CONJUNCTION WITH NATIONAL IRANIAN OIL COMPANY ( NIOC). ON DECEMBER 20, 1972 ECONMIN SIMONET ( IN ONE OF LAST OFFICIAL ACTS PRIOR TO ASSUMING POSITION AS EUROPEAN COMMUNITY COMMISSIONER) SIGNED GOB- NIOC AGREEMENT WHICH CALLED FOR ESTABLISHMENT OF IBRAMCO WITHIN TWO MONTHS. FALL OF EYSKENS GOVERNMENT DELAYED EVENTS BUT NEVERTHELESS THEN VICE PRIME MINISTER COOLS ( ACTING AS ECONMIN IN CARETAKER STATUS) INSTRUCTED ECONMINISTRY SECRETARY GENERAL BAYENS TO RPOCEED WITH CREATION IBRAMCO. IBRAMCO REGISTERED ON MARCH 12 WITH CHARTER AUTHORIZING (1) FEASIBILITY STUDY FOLLOWED BY (2) CREATION OF REFINERY COMPANY IF STUDY FAVORABLE. OTHER ( I. E. NON- SOCIALIST) MEMBERS OF LEBURTON GOVERNMENT REACTED LIMITED OFFICIAL USE

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ADVERSELY WHEN SOCIALISTS' ACTIONS CAME TO LIGHT, CLAIMING CHARTER EXCEEDS AUTHORITY GRANTED IN ORIGINAL DECEMBER 6 CABINET AGREEMENT.

6. CONTROVERSY ALSO FUELED BY FEELING SOCIALISTS WERE GRABBING ALL POLITICAL BENEFITS OF PROJECT. NOT ONLY WERE ALL GOB REPS ON IBRAMCO BOARD SOCIALISTS BUT AUTHORITY TO PROCEED WITH PROJECT

IF STUDY FACORABLE WITHOUT FURTHER RECOURSE TO EITHER CABINET OR PARLIAMENT WAS VIEWED AS MENAS BY WHICH CONTRACTS FOR SUPPORTING INFRASTRUCTURE ( PIPELINE, ROADS, ETC.) WOULD IMMEDIATELY BEGIN FLOWING FROM SOCIALIST DOMINATED IBRAMCO TO SOCIALIST PARTY CLIENTS.

7. NET RESULT WAS PUBLIC DOGFIGHT OF PAST WEEK, CULMINATING IN APRIL 27 INTRA- COALITION AGREEMENT. THREATENED POLITICAL CRISIS WAS FORESTALLED BY SOCIALIST WILLINGNESS TO AGREE TO CABINET AND PARLIAMENT REVIEW OF PROJECT PLUS RESTRUCTURING OF GOB REPRESENTATION OF IBRAMCO BOARD OF DIRECTORS.

8. ECONOMIC ASPECTS OF PROJECT STILL UP IN AIR. CHANCES GOOD THAT IBRAMCO STUDY WILL BE FAVORABLE IF GOB PROVIDES SUPPORT SUCH AS CAPTIVE MARKETS. ( DECEMBER 20 BELGO- NIOC AGREEMENT ALREADY PROVIDES FOR GOB COMMITMENT TO BUILD A CRUDE PRODUCTS PIPELINE AT GOB EXPENSE PLUS MINIMUM FINANCIAL INVESTMENT OF 20 PERCENT OF ESTIMATED US \$120 MILLION COST OF PROPOSED REFINERY). IF IBRAMCO STUDY FAVORABLE, GOVERNMENT AND PARLIAMENT LIKELY APPROVE FINAL PROJECT PLANS.  
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\*\*\* Current Classification \*\*\* LIMITED OFFICIAL USE

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